

Message Text

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LIMDIS

PASS TREASURY FOR PELIKAN AND DYCHE AND EXIMBANK FOR GIANTURCO

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJECT: RESULTS OF EC DISCUSSIONS ON PROPOSED GENTLEMEN'S AGREEMENT
ON EXPORT CREDITS

ERF: STATE 206993

1. SUMMARY: MRS. ARCHIBALD REPORTS THAT THE EC IS NOT YET READY TO HOLD ANOTHER MEETING ON EXPORT CREDITS. EIGHT OF THE MEMBER STATES ARE PREPARED TO AGREE TO AN 8 PERCENT MINIMUM INTEREST RATE FOR OFFICIAL GOVERNMENT CREDITS BUT THE FRENCH GOVERNMENT REMAINS ADAMANT IN ITS DESIRE TO OBTAIN AN EXCEPTION FOR ITS EXPORTS TO THE SOVIET UNION. MRS. ARCHIBALD HOPES TAHT SUFFICIENT PRESSURE WILL BE BROUGHT TO BEAR ON FRANCE SO THAT IT WILL AGREE TO COMPROMISE ON THIS ISSUE. END SUMMARY.

2. AFTER A TWO DAY MEETING AMONG MEMBER STATES AND THE EC COMMISSION LAST WEEK, EC COMMISSION OFFICIAL MRS. ARCHIBALD ADVISES THE MISSION
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THAT AT THIS TIME THE EC IS NOT PREPARED TO HAVE ANOTHER MEETING

ON EXPORT CREDITS. THE EC BELIEVES THAT A MEETING SHOULD ONLY BE HELD IF THERE IS THE EXPECTATION OF REACHING AN AGREEMENT. NONE OF THE PARTIES CAN AFFORD TO HAVE ANOTHER FAILURE IN THE NEGOTIATIONS. AT THIS POINT THERE IS NOT SUFFICIENT AGREEMENT TO JUSTIFY ANOTHER MEETING.

3. AT LAST WEEK'S EC MEETING THE FRENCH REPRESENTATIVES REMAINED ADAMANT IN INSISTING THAT THEY BE ALLOWED TO GRANT A 7 PERCENT INTEREST RATE IN THEIR CREDITS TO THE SOVIET UNION. THE FRANCO-SOVIET TRADE AGREEMENT IS DUE TO BE RENEWED AT THE END OF THIS YEAR. REPORTEDLY IN 1973 AS FINANCE MINISTER, GISCARD-D'ESTAING ADVISED THE SOVIET UNION THAT THE GOF WOULD RENEW THE PRESENT TRADE AGREEMENT TO INCLUDE EXPORT CREDITS AT A 7 PERCENT INTEREST RATE. IN VIEW OF THIS COMMITMENT, THE FRENCH WILL NOT AGREE TO A HIGHER RATE IN THE GENTLEMEN'S AGREEMENT UNLESS AN EXCEPTION IS MADE FOR THEIR CREDITS TO THE SOVIET UNION.

4. THE OTHER EIGHT MEMBER STATES AND THE COMMISSION ARE PREPARED TO AGREE TO MINIMUM INTEREST RATE OF 8 PERCENT. THE EIGHT, HOWEVER, ARE NOT PREPARED TO GRANT AN EXCEPTION TO FRANCE BECAUSE THEY WOULD THEN HAVE TO MATCH THE FRENCH TERMS TO THE US WHICH WOULD BE COSTLY AND UNJUSTIFIED. MRS. ARCHIBALD SUGGESTS THE POSSIBLE COMPROMISE OF STARTING WITH A MINIMUM RATE OF 7 1/2 PERCENT AND RAISING THE MINIMUM IN STAGES TO 8 PERCENT. THE FRENCH, HOWEVER, AT PRESENT WILL NOT ACCEPT SUCH A COMPROMISE. SHE ADDED THAT EXCEPT FOR FRANCE THE EC WOULD ACCEPT AN 8 1/2 PERCENT AVERAGE EFFECTIVE INTEREST RATE.

5. THE UK AND THE FRG ARE REPORTEDLY PUTTING PRESSURE ON THE FRENCH TO MODIFY THEIR POSITION. THE UK WILL SHORTLY HAVE BILATERAL CONSULTATIONS WITH THE FRENCH AT WHICH TIME THE UK WILL SEEK TO PERSUADE THE FRENCH TO COMPROMISE SO THAT NEGOTIATIONS CAN GO FORWARD. THE COMMISSION WOULD APPRECIATE BEING ADVISED OF THE RESULTS OF ANY DISCUSSIONS SECRETARY SIMON HAD WITH FINANCE MINISTER FOURCADE IN WASHINGTON REGARDING THIS SUBJECT.

6. THE COMMISSION WOULD LIKE TO CONTINUE WORKING LEVEL DISCUSSIONS ON OTHER OUTSTANDING ISSUES SUCH AS GROUPING COUNTRIES INTO HIGH AND LOW INCOME CATEGORIES. MRS. ARCHIBALD WOULD ALSO LIKE TO DISCUSS THE MINIMUM STANDARDS FOR AID. SHE BELIEVES THIS IS A MAJOR PROBLEM. THE FRENCH AND CANADIAN MIXED CREDITS WOULD HAVE CONFIDENTIAL

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TO BE SUBSTANTITALLY CHANGED IN ORDER TO MEET THE AID STANDARDS THAT WE HAVE PROPOSED.

7. AT THE PRESENT TIME THE COMMISSION HAS NO DATE TO SUGGEST FOR ANOTHER MEETING. IF A POSSIBLE COMPROMISE CAN BE REACHED, THE COMMISSION IS INCLINED TO SUGGEST LONDON AS THE SITE FOR THE NEXT MEETING. MRS. ARCHIBALD WOULD LIKE TO REVIEW THE USG'S POSITION WITH DYCHE IN PARIS ON OCTOBER 2. SHE IS ALSO PREPARED

TO GO TO WASHINGTON IN EARLY NOVEMBER TO PURSUE BILATERAL DISCUS-
SIONS SSHOULD THIS BE DESIRABLE. GREENWALD

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